

Schroder UK Mid Cap Fund plc

Report and Accounts

For the year ended
30 September 2021



Key messages

- A high conviction portfolio targeting 40-50 holdings, with the goal of delivering a return in excess of the FTSE 250 ex Investment Trusts Index, offering exposure to a wide spectrum of investment sectors and themes and both UK and overseas earnings.
- The Manager seeks out resilient companies that are capable of delivering high risk-adjusted returns with rising cash flows and earnings. They can be disruptors, which challenge the status quo within the marketplace, or established companies which can grow sustainably as they reinvent themselves in response to the disruption. Resilience comes from strong finances, leading ESG/sustainability practices and clear strategic direction.
- The investment process is proven and repeatable, having generated returns of 14.9% p.a. versus 12.0% p.a. for the benchmark since Schroders became the Manager in 2003*.

**Source: Schroders, Morningstar, 1 May 2003 to 30 September 2021. Net asset value total return compared to the benchmark of the FTSE All-Share ex Investment Trusts ex FTSE 100 TR Index until 2011, and subsequently the FTSE 250 ex Investment Trusts Index. Past performance is not a guide to future performance and may not be repeated.*

Investment objective

Schroder UK Mid Cap Fund plc's (the "Company") investment objective is to invest in mid cap equities with the aim of providing a total return in excess of the FTSE 250 ex Investment Trusts Index.

Investment policy

The Manager applies a high conviction approach, managing a focused portfolio of resilient companies that are all capable of delivering excess risk-adjusted returns with rising cash flows and earnings. Fundamental research forms the basis of each investment decision taken by the Manager.

The Company will predominantly invest in companies from the FTSE 250 Index, but may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Company may also invest in other collective investment vehicles where desirable, for example to provide exposure to specialist areas within the universe.

The Company has the ability to use gearing for investment purposes up to 25% of total assets.





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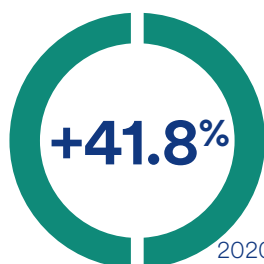
Annual General Meeting

Financial Highlights

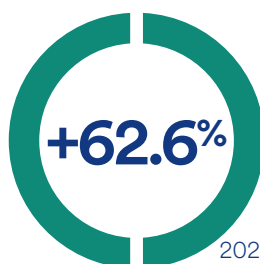
Some of the financial measures below are classified as Alternative Performance Measures as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on pages 58 to 59 together with supporting calculations where appropriate.

Total returns for the year ended 30 September 2021

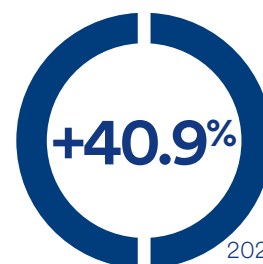
(Total returns include the impact of dividends paid. Details of the calculations are given on page 58).



1 year net asset value ("NAV")
per share total return*



1 year share price
total return*

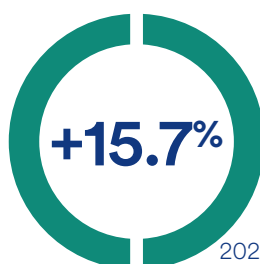


1 year benchmark¹

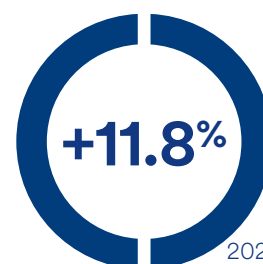
Annualised total returns for the 10 years ended 30 September 2021



10 year annualised NAV
per share total return*



10 year annualised
share price total return*



10 year annualised
benchmark¹

¹Source: Thomson Reuters.

Other financial information

	30 September 2021	30 September 2020	% Change
Shareholders' funds (£'000)	277,569	199,524	+39.1
Shares in issue	35,066,190	35,066,190	0.0
NAV per share (pence)	791.56	568.99	+39.1
Share price (pence)	730.00	458.50	+59.2
Share price discount to NAV per share* (%)	7.8	19.4	
Gearing* (%)	7.7	5.3	

	Year ended 30 September 2021	Year ended 30 September 2020	% Change
Net revenue return after taxation (£'000)	5,322	3,155	+68.7
Revenue return per share (pence)	15.18	8.92	+70.2
Dividends per share (pence)	14.80	13.30	+11.3
Ongoing Charges* (%)	0.90	0.90	

The financial measures above which are identified with an asterisk (*) are alternative performance measures.

Ten Year Financial Record

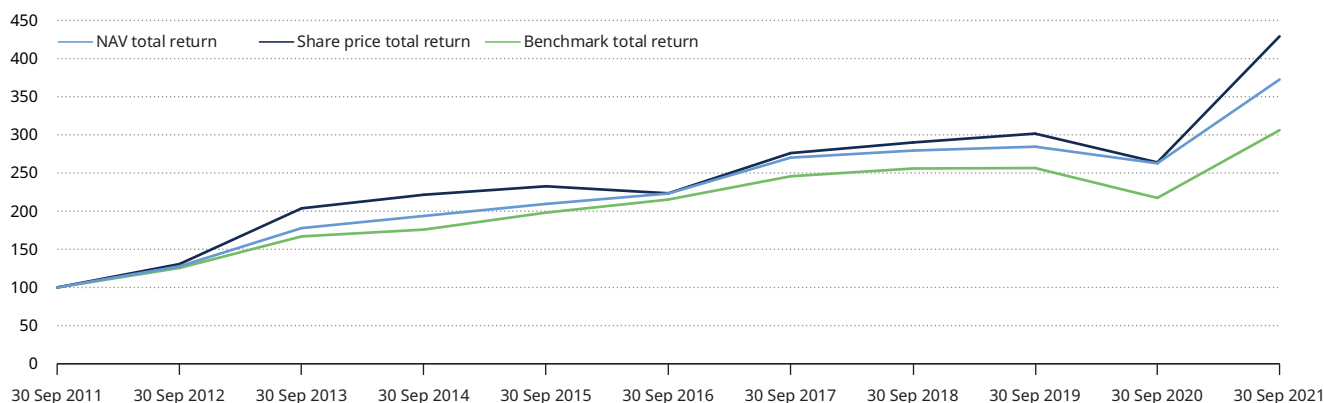
Definitions of terms and performance measures are provided on pages 58 to 59

At 30 September	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Shareholders' funds (£'000)	118,942	161,739	173,327	184,260	192,718	226,577	229,734	226,424	199,524	277,569	
NAV per share (pence)	329.1	447.5	479.6	509.8	533.2	632.0	640.8	633.5	569.0	791.6	
Share price (pence)	277.0	420.0	448.9	462.5	435.4	524.5	538.0	540.0	458.5	730.0	
Share price discount to NAV per share* (%)	15.8	6.1	6.4	9.3	18.3	17.0	16.0	14.8	19.4	7.8	
Gearing/(net cash)* (%)	3.7	2.0	(4.4)	(6.1)	1.5	(0.5)	(3.0)	4.3	5.3	7.7	
For the year ended 30 September	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Net revenue return after taxation (£'000)	2,789	3,096	3,506	3,549	4,455	5,031	6,015	7,325	3,155	5,322	
Revenue return per share (pence)	7.72	8.57	9.70	9.82	12.33	13.96	16.78	20.43	8.92	15.18	
Dividends per share (pence)	6.82	7.70	8.50	9.20	11.25	13.10	16.00	18.50	13.30	14.80	
Ongoing Charges* (%)	1.11	1.01	0.94	0.93	0.95	0.92	0.90	0.90	0.90	0.90	
Performance ¹	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV total return*	100.0	127.6	177.8	193.7	209.5	223.1	270.1	279.4	284.5	262.7	372.5
Share price total return*	100.0	130.6	203.7	221.5	232.6	223.4	276.1	290.0	301.6	263.9	429.1
Benchmark	100.0	125.5	166.9	175.8	198.1	215.2	245.7	255.9	256.5	217.3	306.1

¹Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2011.

*Alternative Performance Measures

NAV per share, share price and Benchmark total returns for the ten years ended 30 September 2021



Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2011.

Chairman's Statement



Investment and share price performance

The Company performed well in the second half of the year to 30 September 2021, building on its strong first half performance.

Against a strong bounce back in both the UK economy and the FTSE 250, the Company's net asset value ("NAV") total return for the year

was 41.8% compared to 40.9% from the Company's Benchmark (the FTSE 250 ex Investment Trusts Index). The share price total return over the same period was even stronger at 62.6%. This was a consequence of both the strong NAV performance together with a meaningful decrease in the Company's share price discount to NAV from 19.4% at the end of September 2020 to 7.8% at the end of September 2021. While this reduction in the discount was pleasing, we have seen some widening again post year-end as the UK equity market gave back some of its gains on the back of emerging inflationary and supply chain concerns, and as overseas investors' recent enthusiasm for UK assets waned a little.

Revenue and dividends

In the Company's last Annual Report, the Board indicated that there had been a significant reduction in the income generated by the portfolio as a result of companies either suspending or reducing their dividends due to the effects of COVID-19. Whilst the total dividends paid by the Company for the year ended 30 September 2020 decreased accordingly, utilisation of some of the Company's revenue reserves helped to mitigate this fall to some extent and the dividends declared by the Board were set at a level which we believed was realistic and sustainable in future years.

In June of this year, the Board was pleased to announce an unchanged interim dividend of 3.80 pence per share and following a significant recovery in portfolio income, we have declared a final dividend of 11.0 pence per share for the year ended 30 September 2021. The proposed final dividend, combined with the interim dividend of 3.80 pence per share already paid during the year, brings total dividends for the year to 14.80 pence per share, an increase of 11.3% in dividends declared in respect of the previous financial year. At the current share price of 674 pence (as at 15 December 2021) this represents a yield of 2.2%. A resolution to approve the payment of the final dividend for the year ended 30 September 2021 will be proposed at the forthcoming Annual General Meeting ("AGM"). If the resolution is passed, the dividend will be paid on 14 February 2022 to shareholders on the register on 14 January 2022.

Gearing

At the year end, net gearing was 7.7% (2020: 5.3%), which comprised the Company's £25 million revolving credit facility with Scotiabank Europe plc, maturing in February 2023. It is expected that the Manager will continue to use this gearing

to take advantage of attractive new investment opportunities and to participate in capital raisings by portfolio companies.

Discount management

As stated earlier, whilst the narrowing of the discount over the year was encouraging, the Board continues to monitor it as we have seen some increase post year-end. In order to facilitate buybacks should we deem them to be necessary, we propose that the Company's share buyback authorities be renewed at the forthcoming AGM and that any shares so purchased be cancelled or held in treasury for potential reissue at a premium to NAV.

Environmental, Social and Governance ("ESG")

The Board recognises the growing importance of ESG concerns to investors. The recent focus on climate change, brought to the forefront by the UK hosting the COP26 conference in November 2021 increased public attention on environmental issues. ESG considerations have been embedded within the Schroders investment process for over 20 years and, while the Company is not managed with a specific ESG mandate, the Board is pleased to report that the portfolio has a carbon intensity of around half that of its benchmark. More details of the Manager's approach to ESG can be found on pages 13 and 14 of the Strategic Report.

Annual General Meeting

The Company's AGM will be held at 12.00 noon on Wednesday, 9 February 2022. Subject to any COVID-19 related restrictions, we encourage shareholders to attend in person and if unable to, to cast their votes by proxy. If the format of the AGM has to be altered due to government guidance on public gatherings, the Company will inform shareholders by placing a notice on the Company's website and via a Regulatory Information Service. The AGM will provide an opportunity for shareholders to ask questions of the Board and the Manager. As with the 2021 AGM, the Manager's presentation will take the form of a separate webinar in order to make it accessible to a wider number of shareholders, many of whom find coming to London difficult. Jean Roche and Andy Brough, the fund managers, will be presenting this webinar at 2.00pm on 8 February 2022, and all shareholders are encouraged to sign up to hear the fund managers' views. To sign up please visit <https://registration.duuzra.com/form/SCPAGM2022>.

The Board is keen to hear from the Company's shareholders and questions ahead of the AGM are welcome. To email, please use: amcompanysecretary@schroders.com or write to us at Company Secretary, Schroder UK Mid Cap Fund plc, 1 London Wall Place, London EC2Y 5AU. Please submit any questions by 4 February 2022.

Outlook

The rapid pace of the UK's recovery following the severe recession brought about by the global pandemic, and its effect upon public health and economic activity now presents a number of challenges for policymakers with inflationary pressures growing and supply-chain disruption emerging across a number of sectors. It is likely that the former will

Chairman's Statement

result in some increases in interest rates. The timing of the easing of supply chain pressures remains uncertain. Overall, after such a rebound in economic and corporate prospects there must be some raised uncertainty driven by tightening monetary policy and concerns over how companies cope with rising costs and the effect of these on corporate earnings trends.

The events of the last two years have shown the merit of the Manager continuing to apply a high conviction approach of selecting resilient companies which can also deliver good earnings growth based upon clear competitive advantage and the ability to either disrupt incumbent businesses or to reinvent themselves. The investment thesis is supported by detailed fundamental research. This approach has been demonstrably successful over the long term. When the implications of the pandemic were becoming clearer earlier this year, the portfolio managers' approach to company selection did not change, as in their view, the investment outlook for many of the strongest companies remained unchanged and they continue to believe this today.

As a recent historic parallel, the recovery following the global financial crisis felt painfully slow however many mid cap companies that had genuine competitive advantages emerged stronger. There has also been considerable merger and acquisition activity within the mid cap space driven in part by overseas buyers identifying attractive valuations within the market. In addition, many dividends are being reinstated as the confidence of companies' managers in the recovery has improved. The Manager can see plenty of companies that still have surplus cash to grow their businesses and reward their shareholders. Many of these businesses have positive outlooks underpinned by many longer-term structural trends whether these are around energy transition, cyber security, the growth in gaming and online retailing, or fintech. These are all areas where the UK excels and the portfolio managers believe that they can still find opportunities within these and other sectors at compelling valuations. This underpins the positive outlook for the Company.

Robert Talbut
Chairman

15 December 2021

Manager's Review

We target a high conviction portfolio of resilient companies that are all capable of delivering high risk-adjusted returns with rising cash flows and earnings. These returns can come from disruptors, which challenge the status quo within the marketplace, or from established companies which can grow sustainably as they reinvent themselves in response to the disruption. Resilience comes from strong finances, leading ESG/sustainability practices and clear strategic direction. This is expanded upon in the Strategic Review.

Market Background

UK equities performed very well over the period and mid cap equities particularly so. The FTSE 250 ex Investments Trusts Index rose 40.9%, eclipsing a 25.4% gain in the FTSE 100. Mid caps benefited as many domestically focused areas of the market extended their sharp recovery from the lows of 2020. This occurred as it became increasingly apparent that the UK economy had been enjoying a 'V-shaped' recovery. For the majority of the period, global markets were driven by a recovery in cyclical value sectors (especially those previously heavily impacted by COVID-19 restrictions) and this was beneficial to both the UK's lowly valued domestic and internationally focused sectors, notably the industrials. UK inward merger and acquisition activity accelerated further, with bids in industrial and consumer sectors a particular feature. A number of mid cap companies attracted eye-catching bid premia, underlining the valuation attractions of the UK equity market, and how many high-quality mid cap companies are trading at hard to justify discounts to international peers (*see Q&A: why are so many investors still ignoring the UK stock market?). The cyclical value recovery began to falter towards the end of the period as Western monetary policymakers grew markedly more hawkish on the basis that inflationary pressures might prove less transitory than hoped. Meanwhile, concerns that global growth trends and earnings were close to peaking further drove a market rotation back in favour of growth and quality stocks, which had performed very well during the height of the pandemic.

Portfolio Performance

The NAV achieved a total return of 41.8%, outperforming the benchmark by 0.9% over the 12-month period. Meanwhile, the share price total return was 62.6%. At the end of the period the discount was 7.8%, which has widened slightly since the 4.6% at the end of March but was notably narrower than the 19.4% of 30 September 2020 (source: Schroders).

Distributor of building materials, **Grafton**, was the top contributor over the period. The company has significant exposure to the growing RMI (Repair, Maintain, Improve) market, which has continued to boom following the first pandemic related lockdown, especially within the private housing segment. Thus, the share price has recovered strongly, and then outperformed, since the indiscriminate, COVID-19 related, March 2020 sell off. The group reported record half year results thanks to a very strong performance from Woodie's (Irish DIY and Home retail chain) and good contributions from the two acquisitions, Stairbox and IKH which took place in December and June 2021 respectively. Performance was also boosted with the agreement to divest the traditional merchant business to Huws Gray. This is all consistent with the management team's strategy of divesting

of lower margin businesses and using internally generated cash to acquire higher margin businesses with more pricing power.

Another lead contributor over the period was technology-enabled fund management company **Man Group**. The company reported record-high funds under management in quarter 3, predominantly driven by strong investment performance, which has driven serial earnings upgrades and ensuing double digit dividend growth. Continuing share buybacks would indicate to us that management see the shares as undervalued.

Commercial van & car hire, sale and repair and accident services ("mobility") provider **Redde Northgate** performed well over the 12-month period. The stock was promoted back into the FTSE 250 in April after four years in the Small Cap Index. Management reported merger savings well head of target as part of its annual results publication in July. With residual values well supported by a well-publicised shortage of new vehicles, Redde Northgate has benefitted. As part of its AGM statement in September, the group reported the signing of "new, sizeable, multi-year" contracts within its mobility platform, which are expected to go live in mid-2022.

The theme seemingly weighing on three of our most significant detractors, **Dunelm**, **Pets at Home** and **Games Workshop** is that of perceived lockdown winners from which the market is looking to move on. This is a bit strange in the case of Dunelm in particular, whose stores were closed for around one-third of the relevant period. As ever, we take a more long-term view: the structural growth trends which have made this trio among our top performers over the last two years, persist, namely strong online and in store sales growth, humanisation of pet ownership and monetisation of strong intellectual property (in the case of Games Workshop). Coming out of lockdown is good for business: Dunelm reported strengthening homewares market share as stores and in house cafes reopened, Pets at Home will benefit from an increased (+10%) number of pet cats and dogs in the UK, whose owners are more attuned to their needs than perhaps they might have been pre COVID-19, and Games Workshop's existing stores can welcome customers again without interruption as international omnichannel expansion continues.

Utilities provider **Telecom Plus** also underperformed over the year. Shares rose early on in the period with the anticipation of positive half-year results. However, the results showed revenue was very marginally down driven by the lower energy price cap implemented by the regulator (Ofgem) last year. This situation has since reversed markedly as energy prices have soared, lifting the share price higher towards the end of the period. It is our expectation that as social circles reopen, Telecom Plus agents will be more easily able to sell their multi-utility product.

*<https://www.schroders.com/en/insights/economics/qa-why-are-so-many-investors-still-ignoring-the-uk-stock-market/>

¹A value stock refers to shares of a company that appears to trade at a lower price relative to its fundamentals, such as dividends, earnings, or sales

²Growth stocks refers to shares of a company expected to grow sales and earnings at a faster rate than the market average

³Quality stocks are shares of a company with low debt, stable earnings, consistent asset growth and strong corporate governance).

Manager's Review

Stocks held – significant positive and negative contributions versus the benchmark

Positive contributor	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Grafton Group	2.6	+1.8	54.5	+0.7
Man Group	2.7	+1.9	44.8	+0.6
Redde Northgate	1.3	+1.2	-20.2*	+0.6
Inchcape	2.8	+1.9	46.2	+0.6
Vistry	1.9	+1.2	78.2	+0.6

Negative contributor	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Dunelm	3.9	+3.4	-33.5	-1.4
Telecom Plus	2.0	+1.7	-45.7	-0.9
Pets at Home	2.8	+2.1	-25.1	-0.8
James Fisher	1.1	+1.1	-60.8	-0.8
Games Workshop	3.2	+2.0	-38.0	-0.8

Stocks not held – significant positive and negative contributions versus the benchmark

Positive contributor	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Centamin	–	-0.4	-91.4	+0.8
Hiscox	–	-1.0	-46.1	+0.5
Avon Protection	–	-0.3	-98.6	+0.4
Tate & Lyle	–	-1.1	-32.4	+0.4
Lancashire Holdings	–	-0.5	-58.2	+0.4

Negative contributor	Portfolio weight ¹ (%)	Weight relative to index (%)	Relative performance ² (%)	Impact ³ (%)
Meggitt	–	-1.2	145.1	-1.0
WM Morrison	–	-0.8	26.8	-0.7
ITV	–	-1.0	46.7	-0.6
Virgin Money	–	-0.7	139.2	-0.5
Greggs	–	-0.7	111.3	-0.5

Source: Schroders, Factset, close 30 September 2020 to close 30 September 2021.

¹Weights are averages over the period.

²Total return of the stock in the index relative to the total return of the FTSE 250 ex Investment Trusts Index over the period.

³Contribution to performance relative to the FTSE 250 ex Investment Trusts Index.

*Promoted to the FTSE 250 in April 2021, performance shown since promotion. 126.4% total return of the stock in the portfolio over the 12 month period.

With the value of UK M&A deals in the first three quarters of 2021 about to surpass the whole of 2020, it's no surprise that the two companies at the top of our stocks not held negative contributor table were both not just bid targets, but subjects of bidding wars. Specifically, defence engineer Meggitt and supermarket chain WM Morrison attracted competing bids from US competitors and US private equity firms respectively.

Meanwhile, not holding miner Centamin was a notable positive for the fund. Shares fell 58% from third quarter 2020 highs as guidance related to a shift in mining plans following movement in a localized area of waste material at its Sukari Mine. Lloyd's insurer Hiscox suffered reputationally, and, ultimately, financially, from its exposure to pandemic related business interruption claims.

Portfolio Activity

We have further concentrated the portfolio, reducing the number of holdings from 54 to 52 over the financial year.

Attractively priced structural growth opportunities continue to influence our new additions to the portfolio. We added holdings in **NCC Group** and **Chemring**, both of which have significant operations in cyber security, a trend which is set to continue to grow in a post COVID-19 world. Both stocks represent good value versus other cyber security companies. We started a new position in industrial and electronics distributor **Electrocomponents**, which is set to gain market share online in this space and which has a competitive and high margin own label offering. We initiated a position in **Tyman**, whose new CEO is emphasising organic growth as opposed to the acquisition-led strategy of old, and which is exposed to the growing global market for more energy efficient door and window fixings. A site visit to one of Tyman's UK plants gave us additional insight into the high quality of its products and exacting processes. We took the opportunity of a capital raise to initiate a position in digital media/commerce consultancy and business events organisation company **Ascential**, whose global customers range from Amazon to Walmart, and in the consumer branded world, from Pepsi to P&G.

Manager's Review

We participated in the initial public offering of private equity and credit fund management company **Bridgepoint Group**. Bridgepoint has some common ground with us in that it focuses on mid-sized companies – at one point it owned **Pets at Home** and **Safestore**, for example. Bridgepoint generally acquires or invests in businesses with a European focus, and management aims to double the size of the company over the next five years. We also participated in the initial public offering of **Petershill Partners**, which owns minority stakes in alternative asset managers and is benefiting from similar structural growth trends driving private equity markets. Continuing with IPOs, we participated in the IPO of **Trustpilot**. With online reviews becoming an essential part of winning new customers, this open review platform provides consumers with essential information about both products and services. We expect that a Trustpilot rating will become more and more of a “must have” for small and medium sized consumer facing businesses not only in the home markets of the UK and Denmark but also, potentially, in markets such as the US where the company is already making inroads. Following very strong performance since the IPO we exited the position purely on valuation grounds.

Moving to the more notable sales over the period, we sold our shares in pub operator JD Wetherspoon, which went to a significant premium following a capital raise. Again, valuation remains a key element of our sales discipline as demonstrated by the disposal of airline Wizz Air. We sold Royal Mail and Renishaw due to their promotions into the FTSE 100, in line with our stated investment strategy.

Following bids for both, we disposed of our positions in gaming companies William Hill and Gamesys. The rapid growth, following the deregulation of the online sports gaming market in the US, makes UK specialised gaming assets highly attractive. Wishing to retain exposure to the sector, we initiated a position in online gaming group **888**. Another bid-related disposal was SDL, which was acquired by RWS, an AIM listed peer.

Lastly, we sold our residual positions in oil exploration and production business Cairn Energy following share price outperformance on positive news from its long-running Indian tax dispute, and oil and gas engineering services company Petrofac.

Outlook

This time last year, we were in the thick of COVID-induced disruption and uncertainty around some companies' survival. Since then, the strength and nature of the economic recovery has caught many companies and investors by surprise, with its “bunny-hopping” characteristics causing disruption and bottlenecks on a global scale. In the UK, the end of the furlough scheme has not led to the feared spike in unemployment. Instead, a shortage of workers driven by the decision of many of the older members of the workforce (c.f. HGV and taxi drivers, for example) to retire and by a shift away from the hospitality industry and towards pandemic and structurally fuelled growth areas such as warehouse jobs, has pushed labour costs up.

This has led to eye catching inflation figures across the board, and this is why, although the pandemic continues to rumble,

throwing plans off course in our daily lives, the focus now is on inflation.

However, we are stock pickers and what we are focussing on instead is understanding how our portfolio is positioned for the effects of higher inflation. We are therefore spending a lot of time talking to companies to try and understand what it means for their specific businesses, and whether their pricing power is holding up. We are also attempting to unpick which stocks have earnings which might have been flattered by government largesse, so that we can get a true picture of “normalised” earnings, also taking into account high levels of secondary market issuance.

For the consumer specifically, inflation in the energy market may prove more sticky than expected, which could affect some consumers more than others, particularly those who are not part of the cohorts who have generated an estimated excess of £200bn in savings over the period of the pandemic.

The importance of stock picking in this environment cannot therefore be overestimated. More broadly, companies with niche products exposed to structurally growing markets will also be better able to pass on rising costs to the consumers of their products. These markets are reflected in the portfolio by themes varying from the humanisation of pets, to a growing need for spend on cybersecurity to adoption of 5G, to mention a few.

The UK market continues to return to favour as we are seeing continued bid activity and we would expect that trend to continue. The new issue market has also picked up significantly which reflects the underlying strength of the mid cap area of the market. Although the political backdrop is perhaps more nervous than it was a year ago, UK GDP growth expectations for 2021 have, broadly, doubled, since the start of the year, to around 7%. For 2022, ‘Consensus forecast’ GDP growth stands around 4.7%, one of the highest forecast growth rates for any economy around the world.¹

As ever, we are sticking to our sell discipline, avoiding companies where we think the business model is in danger of being disrupted while seeking out companies which we think are capable of reinventing themselves, or which might be the next mid cap disruptor.

¹Please note that any such information is no assurance that any forecast or projection will be realised.

Manager's Review

The team



The Company's portfolio is co-managed by Jean Roche and Andy Brough.

Jean has over 20 years of investment experience and holds the Chartered Financial Analyst designation, as well as an MSc in Financial and Industrial Mathematics. She was previously named a Wall Street Journal analyst of the year based on her stock picking skills.

Investment Portfolio as at 30 September 2021

Stocks in bold are the 20 largest investments, which by value account for 56.2% (30 September 2020: 56.6%) of total investments. Investments are all equities.

	£'000	%
Industrials		
Spectris	10,065	3.3
Diploma	10,004	3.3
Grafton	9,817	3.3
Oxford Instruments	7,752	2.6
QinetiQ	7,128	2.4
Bodycote International	7,020	2.3
Chemring	6,061	2.0
Keller	5,046	1.7
Tyman	5,040	1.7
Electrocomponents	4,959	1.7
International Workplace	4,686	1.6
Redde Northgate	4,422	1.5
Paypoint	3,381	1.1
James Fisher	2,577	0.9
Total Industrials	87,958	29.4
Financials		
Man Group	10,930	3.6
Safestore	8,392	2.8
Paragon	7,910	2.6
IP Group	6,855	2.3
Brewin Dolphin	5,753	1.9
Londonmetric Property	4,784	1.6
CLS	4,450	1.5
IG Group	4,022	1.3
Grainger	3,660	1.2
OSB	3,550	1.2
Investec	3,205	1.1
Petershill Partners	2,500	0.8
Bridgepoint	1,593	0.5
Total Financials	67,604	22.4
Consumer Services		
Dunelm	11,084	3.7
Future	10,959	3.7
Inchcape	9,489	3.2
Pets at Home	7,879	2.6
4Imprint	6,020	2.0
888 Holdings	4,792	1.6
Ascential	4,346	1.4
Total Consumer Services	54,569	18.2

	£'000	%
Consumer Goods		
Games Workshop	9,859	3.3
Redrow	6,008	2.0
Cranswick	5,536	1.8
Vistry	5,497	1.8
Crest Nicholson	5,053	1.7
A.G. Barr	4,136	1.4
PZ Cussons	1,496	0.5
Ted Baker	1,058	0.4
Total Consumer Goods	38,643	12.9
Technology		
Computacenter	7,991	2.7
Playtech	6,381	2.1
NCC	3,110	1.0
Micro Focus International	1,212	0.4
Total Technology	18,694	6.2
Basic Materials		
Synthomer	6,469	2.2
Victrex	5,955	2.0
Anglo Pacific	3,285	1.1
Total Basic Materials	15,709	5.3
Healthcare		
Dechra Pharmaceuticals	6,542	2.2
Genus	4,809	1.6
Total Healthcare	11,351	3.8
Telecommunications		
Telecom Plus	5,533	1.8
Total Telecommunications	5,533	1.8
Total investments	300,061	100.0

Strategic Review

The Strategic Report sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. The terms of the appointment are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The Board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail on pages 12 to 14.

Strategic Review

Investment objective

Schroder UK Mid Cap Fund plc's (the "Company") investment objective is to invest in mid cap equities with the aim of providing a total return in excess of the FTSE 250 ex Investment Trusts Index.

Investment policy

The Manager applies a high conviction approach, managing a focused portfolio of resilient companies that are all capable of delivering excess risk-adjusted returns with rising cash flows and earnings. Fundamental research forms the basis of each investment decision taken by the Manager.

The Company will predominantly invest in companies from the FTSE 250 Index, but may hold up to 20% of its portfolio in equities and collective investment vehicles outside the benchmark index.

The Company may also invest in other collective investment vehicles where desirable, for example to provide exposure to specialist areas within the universe.

The Company has the ability to use gearing for investment purposes up to 25% of total assets.

Investment restrictions and spread of investment risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The key restrictions imposed on the Manager include: (a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed investment companies; (c) no more than 15% of the Company's gross assets may be invested in other listed investment companies (including listed investment trusts); (d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (e) no holding may represent 20% or more of the equity capital of any company. No breaches of these investment restrictions took place during the financial year.

The investment portfolio on page 10 demonstrates that, as at 30 September 2021, the Company held 52 investments spread over a range of industry sectors. The Board therefore believes that the objective of spreading investment risk has been achieved and will continue to be achieved as the Manager moves towards its target focused portfolio of 40-50 investments.

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 20 on pages 49 to 53.

Gearing

The Company currently has in place a three year £25 million term loan, converted from a revolving credit facility on 28 February 2020. In rising markets the gearing amplifies increases in the NAV and in falling markets any reduction in NAV would be amplified by the gearing. The Company's gearing continues to be operated within pre-agreed limits so that it does not exceed 25% of total assets. The flexibility to utilise gearing remains an important tool in allowing the Manager to pursue investment opportunities when appropriate.

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

These activities usually consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate. During the restrictions related to the COVID-19 pandemic, the Manager instead used virtual meetings, telephone calls and webinars to engage with shareholders.

Shareholders are encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly <https://www.schroders.com/en/uk/privateinvestor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/>.

Details of the Board's approach to discount management may be found in the Chairman's Statement and in the Annual General Meeting – Recommendations on page 54.

Key performance indicator – achievement of the investment objective

The Board measures the development and success of the Company's business through achievement of its investment objective, which is considered to be the most significant key performance indicator for the Company.

Comment on performance against the investment objective can be found in the Chairman's Statement.

The Board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including the management fee, directors' fees and general expenses, is submitted to each board meeting.

Strategic Review



Investment process

In order to meet the investment objective, the Manager applies a high conviction approach, managing a focused portfolio of high quality companies that are all capable of delivering excess risk-adjusted returns with rising cash flows and earnings. These returns can come from “disruptors”, which change the status quo within the marketplace, or from established companies which can grow sustainably by reinventing themselves in response to the disruption.

High conviction: We only invest where we believe there is a very strong case to do so. We don’t carry any stocks where we are not convinced that they will make a positive impact on performance. This is reflected in a high active share.

Resilient: Resilience goes hand in hand with sustainability. When we say resilience, we mean the ability of a business to thrive for many years into the future. It is a driver of investment returns and an approach for reducing risk. With that in mind, we seek well-managed companies, where management has a long-term vision, so that the business is capable of generating risk adjusted returns in excess of cost of capital. We are aiming for good quality longer-term returns rather than risking money on a short-term anomaly. We continue to see Games Workshop as a prime example of a company demonstrating this quality, alongside Dunelm and Pets at Home, particularly given the experiences of the pandemic.

Challenging the status quo: Whether it be a service or a product, or the delivery of this, the company is “doing it a different way”. An example of this in the portfolio is fund management company Man Group, which uses quantitative methods to deliver novel investment ideas.

Growing sustainably: Sustainability in investment has multiple facets. We seek out companies which are exposed to a structural growth market and have a strong or potentially strong position in this market. The company could also be creating a new market (a “disruptor”). Another form of sustainability comes from acting responsibly, ethically and in an environmentally sound way and Schroders’ proprietary Sustainability tools, SustainEx and Context, assist us in examining whether companies are targeting the correct behaviours. Examples in the portfolio which tick both boxes include Victrex and Oxford Instruments.

Reinvent: Established companies which do not continually reinvent themselves are exposed to an existential threat in the Manager’s view. Examples of companies which are avoiding this threat in the portfolio include Grafton, which has moved away from commodity products and into high value niche markets, and Inchcape, which is assisting its customers (the original equipment manufacturers), using its technology and vast store of data, thus helping to modernise the car distribution industry.

Sustainable growth is key to the investment strategy

As Manager of the Company, we are stewards of capital, focusing on the long-term prospects of the assets in which we invest. We analyse each investment’s ability to create, sustain and protect value to ensure that it can deliver returns in line with our shareholders’ objectives. Sustainability is key and that is reflected in our approach to investing.

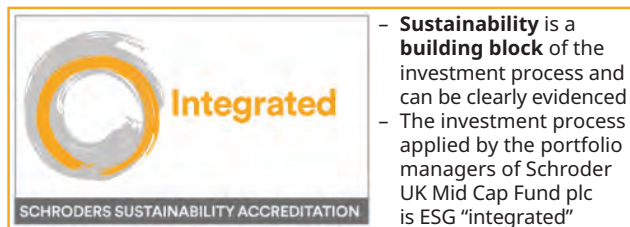
Sustainable companies can continue for an extended period or without interruption. They will possess many, if not all, of the following characteristics:

- Capable of compound growth, often due to exposure to a structural growth market, or gaining significant share in a static or declining market
- Possessing a unique or rare business model, relative to the investment universe
- Led by a proven, strong management team, or one where we see potential for this
- With business practices which are transparent, clearly laid out and explained
- Having accounting practices which are of a high standard
- Generating cash which allows the business to grow
- Underpinned by a strong or strengthening (thanks to cash conversion) balance sheet
- Management will not destroy value, e.g. by making frequent or unsuitable acquisitions or over gearing the balance sheet.

Strategic Review

ESG and sustainability benchmarking

Internal accreditation



- **Sustainability** is a **building block** of the investment process and can be clearly evidenced
- The investment process applied by the portfolio managers of Schroder UK Mid Cap Fund plc is ESG "integrated"

In 2019 Schroders rolled out an internal ESG accreditation process. As part of this, the portfolio managers of the Company achieved Schroders' Integrated status in 2020. This means that sustainability is a building block of the investment process and can be clearly evidenced.

External benchmarking

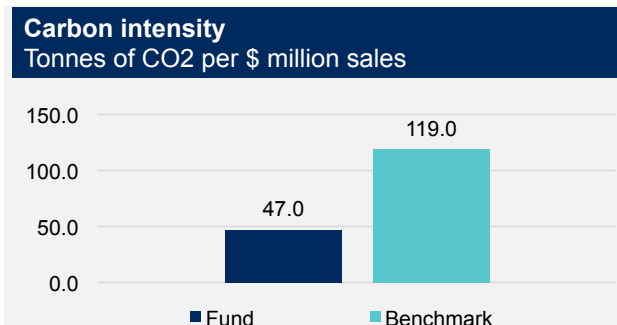
We are pleased to report that the Company has been given a Morningstar Sustainability Rating ("Globe" rating) of 5, out of a maximum of 5. This means that it is in the top 10% of Morningstar's UK Equity Mid/Small Cap global category.

This fund-level rating evaluates how much ESG risk is embedded in a fund relative to its Morningstar peer group, i.e. the risk of something going wrong in an ESG context. Under the widely accepted premise that the world is transitioning to a more sustainable economy, Morningstar's view is that a risk-based evaluation as the best available technique to assess the ESG characteristics of a fund.



Morningstar Sustainability Rating

If we look specifically at carbon intensity, one measure of this, which we source from MSCI data, indicates that the Company's carbon intensity is around half that of the benchmark. For this we use Scope 1+2 Carbon Intensity – which is the average carbon intensity (tonnes CO₂e/\$ million of revenues) of portfolio companies, weighted by position size.



Source: MSCI.

Fund coverage: 93%, Benchmark coverage: 95%

Extensive engagement with portfolio companies

The Manager believes that, as external research on mid cap companies is limited in scope and often in quality, this provides an opportunity to deliver excess returns to shareholders. Detailed analysis of company reports and accounts, company meetings and visits, ESG analysis and engagements and the use of industry experts are all a vital part of the Manager's research process. It is the application of experience to these varied inputs, coupled with an extensive global in-house analytical resource that the Board believes gives the team the potential to deliver attractive returns.

As part of our process, we meet with company management teams in advance of investing, as well as meeting with the management of all portfolio companies at least once a year. In many cases we meet with them more often than this, as well as engaging with Board members. In addition, we will attend meetings with most management teams of companies in this dynamic Benchmark over the course of a year as we regularly review the investment cases of companies not held in the portfolio. We believe it is just as important to understand why you don't hold something as it is to know why you do.

Dedicated team of ESG specialists

We have always taken pride in our level of engagement with companies. Our brand, as well as extensive analytical resource affords us the ability to regularly engage with companies on all aspects of corporate strategy, including specific ESG/sustainability matters.

We are fortunate at Schroders to have access to a dedicated team of over 20 ESG/sustainability specialists. Their role is to research ESG/sustainability themes within sectors, as well as to analyse and engage with individual companies on these issues. We engage with the output of this team regularly to ensure that these factors inform the investment process.

The next table shows the number of company resolutions the Company voted on in the last one and three years.

	Year ended 30 September 2021	3 years to 30 September 2021
Proxy voting		
Meetings	65	209
Resolutions	1,025	3,270
Voted against management	14 (1.4%)	77 (2.4%)
Did not vote	0	0

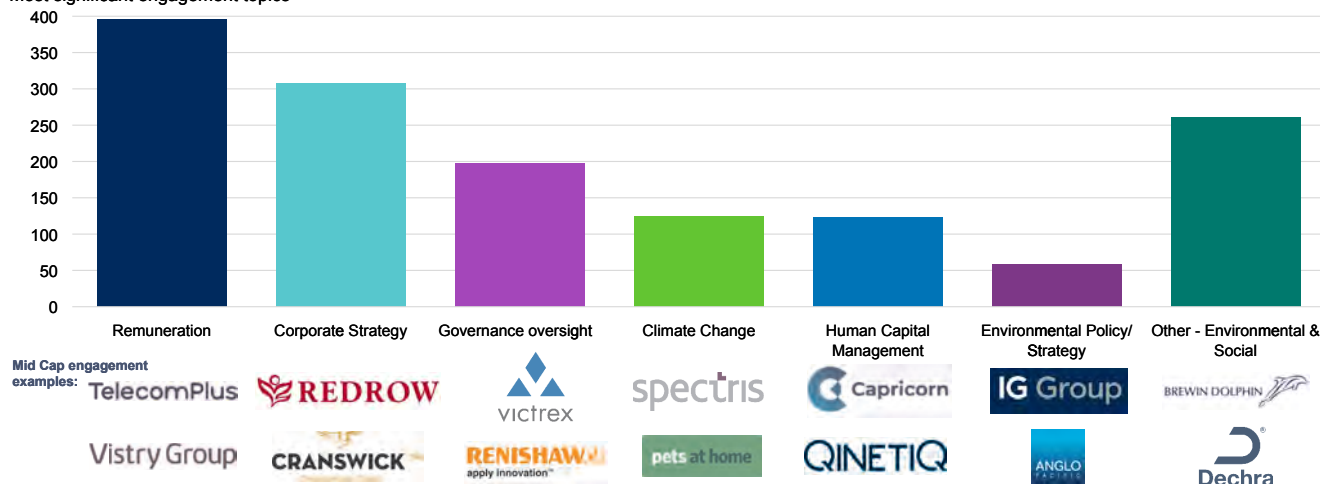
Source: Schroders

Schroders Engagement

Extensive resources ensure we engage fully on ESG matters with UK companies

Schroder UK Equity team ESG engagements – past 3 years

Most significant engagement topics



Source: Schroders. Most significant engagement topics over 3 years to 31 December 2020. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value through the achievement of the investment objective.

The Board endeavours to create an open and constructive dialogue with all stakeholders and its values are all centred on achieving returns for shareholders in line with the Company's investment objective. The Board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates functions. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Corporate and social responsibility

Diversity

As at 30 September 2021, the Board comprised two female and two male directors. Candidates for Board vacancies are

selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skill set and experience.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy.

Greenhouse gas emissions

As the Company outsources its operations to third parties, it has no significant greenhouse gas emissions and energy usage to report.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager and are detailed further in 'Promotion' on page 12.

In addition to the engagement and meetings held during the year the directors usually attend the AGM and are available to respond to queries and concerns from shareholders.

Shareholders may contact the Board by writing to the Company Secretary (Company Secretary, Schroder UK Mid Cap Fund plc, 1 London Wall Place, London EC2Y 5AU), or emailing amcompanysecretary@schroders.com. Shareholders are also encouraged to register for updates on the Company on the Company's webpages and to register for the webinar being held on 8 February 2022. To sign up please visit <https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/>.

Responsible investment

The Company delegates to the Manager the responsibility for taking environmental, social and governance ("ESG") issues

Strategic Review

into account when assessing the selection, retention and realisation of investments. The Board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice and to exercise the Company's voting rights in consideration of these issues.

A description of the Manager's policy on these matters can be found on the Schroders website at <https://www.schroders.com/en/sustainability/active-ownership/>

The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website. In 2020 Schroders retained its A+ rating from the UN Principles for Responsible Investment (PRI) for its overall ESG approach.

The Board has received reporting from the Manager on the application of its policy.

The Board's commitment to stakeholders – section 172 Companies Act 2006

The Board has identified its key stakeholders as the Company's shareholders and service providers. The Board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the Board in meeting the obligation for directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this report. As detailed in "Promotion" on page 12 and "Relations with Shareholders" on page 15, the Company engages with its Shareholders.

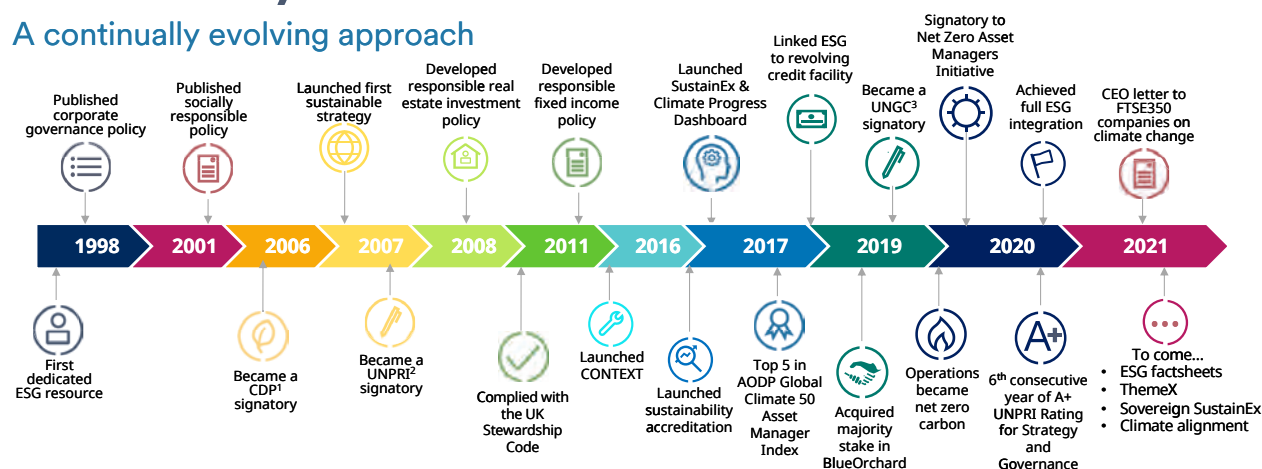
The Board considers any feedback received from shareholders when making decisions relating to share buy backs, dividend decisions and review of Board composition. As detailed in "Purpose, Values and Culture" on page 15, the Board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. Relevant engagement is detailed in the Chairman's Statement, Manager's Review, Audit and Risk Committee and Management Engagement Committee Reports. The Board welcomes the opportunity to engage with shareholders directly either at the AGM or in separate meetings which can be arranged through the Company Secretary.

20 years of ESG integration

Our policies on sustainability are based on what we have learned from more than 20 years of integrating ESG analysis for our clients. The below chart shows a number of milestones hit over the last 20 years of ESG integration at Schroders.

Sustainability at Schroders

A continually evolving approach



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

Source: Schroders, January 2021

¹Carbon Disclosure Project. ²UN Principles for Responsible Investing. ³UN Global Compact

Peter Harrison, Group Chief Executive, Schroders plc

Strategic Review

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Emerging risks and uncertainties

During the year, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk, climate change risk and the impact of the COVID-19 pandemic. The Board has determined that these risks are worthy of close monitoring, although they do not meet the threshold for inclusion as principal risks at this time. The Board receives updates from the Manager, Company Secretary and other service providers on other potential risks that could affect the Company.

Political risk includes Brexit, trade wars and regional tensions. The Board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the Company's future activities. The Board is also mindful that changes to public policy in the UK could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The Board notes that the Manager has integrated ESG considerations, including climate change, into the investment process. The Board will continue to monitor this.

Risk	Mitigation and management
Strategic The requirements of investors change or diverge in such a way as to diverge from the Company's investment objectives, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. Marketing and distribution activity is actively reviewed. The Company engages proactively with investors.
The Company's cost base could become uncompetitive, particularly in light of open ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels is undertaken.
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. The Manager also reports on the impact of COVID-19 on the Company's portfolio, and the market generally. Annual review of the ongoing suitability of the Manager, including resources and key personnel risk.

Strategic Review

Risk	Mitigation and management
<p>Financial and market risk</p> <p>The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments.</p>	<p>The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager. See note 20 of the notes to the accounts.</p>
<p>Custody</p> <p>Safe custody of the Company's assets may be compromised through control failures by the depositary, including cyber hacking.</p>	<p>The depositary reports on the safe custody of the Company's assets, including cash and portfolio holdings which are independently reconciled with the Manager's records. The review of audited internal controls reports covering custodial arrangements is undertaken. An annual report from the depositary on its activities, including matters arising from custody operations is received.</p>
<p>Gearing and leverage</p> <p>The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.</p>	<p>Gearing is monitored and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of total assets.</p>
<p>Accounting, legal and regulatory</p> <p>In order to continue to qualify as an investment trust, the Company must comply with the requirements of section 1158 of the Corporation Tax Act 2010.</p> <p>Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.</p>	<p>The confirmation of compliance with relevant laws and regulations by key service providers is reviewed. Shareholder documents and announcements, including the Company's published annual report are subject to stringent review processes. Procedures are established to safeguard against the disclosure of inside information.</p>
<p>Service provider</p> <p>The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider, could lead to disruption, reputational damage or loss.</p>	<p>Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of their services is monitored. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls is undertaken.</p>
<p>Cyber</p> <p>The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.</p>	<p>Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack.</p>

Risk assessment and internal controls review by the Board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report.

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 49 to 53.

Viability statement

The directors have assessed the viability of the Company over a five year period, to 30 September 2026, taking into account the Company's position at 30 September 2021 and the potential impact of the principal risks and uncertainties it faces for the review period.

A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 17 and 18 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

The directors have also considered a stress test which represents a severe but plausible scenario along with movement in foreign exchange rates. This scenario assumes a severe stock market collapse and/or exchange rate movements at the beginning of the five year period, resulting in a 50% fall in the value of the Company's investments and investment income and no subsequent recovery in either prices or income in the following five years. For this purpose it is assumed that the Company continues to pay an annual dividend in line with current levels and that the borrowing facility remains available and remains drawn, subject to the gearing limit.

The Company's investments comprise highly liquid, large, listed companies and so its assets are readily realisable securities and could be sold to meet funding requirements or the repayment of the gearing facility should the need arise. There is no expectation that the nature of the investments held within the portfolio will be materially different in the future.

The operating costs of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position.

Furthermore, the Company has no employees and consequently no redundancy or other employment related liabilities.

The Board reviews the performance of the Company's service providers regularly, including the Manager, along with internal controls reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. The Board also considers the business continuity arrangements of the Company's key service providers.

The Board monitors the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls at its quarterly meetings.

The directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment. Such conclusion is based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, as well as the the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls.

Going concern

Having assessed the Company's principal risks, its current financial position, its cash flows, its liquidity position and Financial Reporting Council ("FRC") guidance, the directors consider it appropriate to adopt the going concern basis in preparing the accounts as detailed in note 1(a) of the accounts.

By order of the Board

Schroder Investment Management Limited
Company Secretary

15 December 2021

Board of Directors



Robert Talbut

Status: independent non-executive Chairman

Length of service: 5 years – appointed a director in February 2016

Experience: Mr Talbut is chairman of Shires Income plc and a director of JPMorgan American Investment Trust plc and Pacific Assets Trust plc. He was formerly the chief investment officer of Royal London Asset Management and has over 30 years of experience in the asset management industry. He has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He was also a member of the Financial Conduct Authority's Listing Advisory Panel.

Committee membership: audit and risk, management engagement, nomination and remuneration committees

Current remuneration: £38,500 per annum

Shares held: 8,176*



Wendy Colquhoun

Status: independent non-executive director

Length of service: Two years - appointed a director in January 2020

Experience: Ms Colquhoun is Chairman of Henderson Opportunities Trust plc and a non-executive director of Capital Gearing Trust P.L.C. She is a qualified solicitor and was formerly a senior corporate partner at CMS Cameron McKenna Nabarro Olswang LLP where she specialised in financial services. She has extensive experience of investment trusts having advised investment trust clients for over 25 years.

Committee membership: audit and risk, management engagement, nomination and remuneration committees

Current remuneration: £26,000 per annum

Shares held: 2,000*

Board of Directors



Clare Dobie

Status: independent non-executive director

Length of service: 8 years – appointed a director in September 2013

Experience: Mrs Dobie is a non-executive director of Alliance Trust PLC. She was a marketing consultant after holding senior positions in the asset management industry at Barclays Global Investors and GAM. She began her career as a financial journalist, working at The Times and The Independent, where she was City Editor.

Committee membership: audit and risk, management engagement, nomination and remuneration committees

Current remuneration: £26,000 per annum

Shares held: 2,044*



Andrew Page

Status: senior independent director

Length of service: 7 years – appointed a director in October 2014

Experience: Mr Page was, until August 2014, the chief executive officer of The Restaurant Group plc ("TRG"), a FTSE 250 company which operates 460 restaurants throughout the UK. He has previously served as both chairman and senior independent director on several listed and private equity-backed company boards. He is senior independent director of JP Morgan Emerging Markets Investment Trust plc. Prior to joining TRG in 2001, Mr Page held a number of senior positions within the leisure and hospitality sector including senior vice president with InterContinental Hotels. Before that he spent six years working in Kleinwort Benson's Corporate Finance department. Mr Page is a chartered accountant.

Committee membership: audit and risk, management engagement and nomination committees (chairman of the audit and risk and remuneration committees)

Current remuneration: £31,250 per annum

Shares held: 9,128*

*Shareholdings are as at 15 December 2021. Full details of directors' shareholdings, including those of persons closely associated as defined in the Market Abuse Regulation, are set out in the Directors' Remuneration Report on page 32.

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 30 September 2021.

Directors and officers

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 20.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chairman with board meetings and advising the Board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. The Strategic Review on pages 11 to 19 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

The Board has approved a policy on directors' conflicts of interest. Under this policy, directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. No directors have any connections with the Manager, shared directorships with other directors or material interests in any contract which is significant to the Company's business.

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an alternative investment fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party.

SUTL is authorised and regulated by the Financial Conduct Authority ("FCA") and provides portfolio management, risk management, and administrative, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other board members or the corporate broker as appropriate. The Manager has delegated investment management and administrative accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £716.9 billion (as at 30 September 2021) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

For the financial year ended 30 September 2021, the Manager was entitled to a management fee at a rate of 0.65% per annum of chargeable assets up to £250 million and 0.60% of any amounts in excess of that. Chargeable assets are defined as total assets less current liabilities other than short-term borrowings, provided that if there are any short-term borrowings, the value of cash up to the level of such borrowings is deducted from the calculation of assets. The management fee payable in respect of the year ended 30 September 2021 amounted to £1,736,000 (2020: £1,341,000), paid quarterly in arrears.

The Manager is also entitled to receive a fee for providing administrative, accounting and company secretarial services to the Company. For these services, for the year ended 30 September 2021 it received a fee of £137,000

Directors' Report

(2020: £136,000), including VAT. The fee continues to be subject to annual adjustment in line with changes in the Retail Prices Index.

Details of all amounts payable to the Manager are set out in note 17 on page 49.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM agreement, is in the best interests of shareholders as a whole.

Depository

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, carries out certain duties of a depository specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the depository may terminate the depository agreement at any time by giving 90 days' notice in writing. The depository may only be removed from office when a new depository is appointed by the Company.

Registrar

Equiniti Limited is the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

Revenue and final dividend

The net revenue return for the year, after finance costs and taxation, was £5,322,000 (2020: £3,155,000), equivalent to a revenue return per share of 15.18 pence (2020: 8.92 pence).

The directors have recommended the payment of a final dividend for the year of 11.00 pence per share (2020: 9.50 pence) payable on 14 February 2022.

Compliance with the Association of Investment Companies ("AIC") Code of Corporate Governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The FCA requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 33 and 19 respectively indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management) governance and diversity policies.

The Company has complied with the Principles and Provisions of the AIC Code, save for the provisions relating to the appointment of a senior independent director ("SID") and the establishment of a remuneration committee, which occurred during the year in November 2020. Following the introduction of the remuneration committee and the appointment of Andrew Page as SID, the Company confirms compliance with the Principle and Provisions of the AIC Code for the remainder of the year under review.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined over the next few pages. The reports of the audit and risk committee, nomination committee, management engagement committee and remuneration committee are incorporated into and form part of the Directors' Report. Given the Board's size and composition, it considers all directors being members of its delegated committees appropriate.

Other required Directors' Report disclosures under laws, regulations, and the AIC Code

Status

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006.

Directors' Report

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status. The Company is not a "close" company for taxation purposes.

Share capital and substantial interests

As at the date of this report, the Company had 35,066,190 ordinary shares of 25p in issue. 1,077,500 shares were held in treasury. Accordingly, the total number of voting rights in the Company at the date of this report is 35,066,190. No shares have been repurchased since the year end and the date of this report. Further information is provided in note 14 on page 47. All shares in issue rank equally with respect to voting, dividends and any distribution on winding up. The Company's articles of association do not include restrictions on the transfer of shares.

The Company has received notifications in accordance with the FCA's Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	As at 30 September 2021	% of total voting rights
Barclays plc	2,281,470	6.31
Wells Capital Management	1,854,549	5.17
Smith & Williamson Holdings Ltd	1,821,654	5.04
Lloyds Banking Group plc	1,806,240	5.00
Charles Stanley Group plc	1,777,996	4.96
Rathbone Brothers PLC	2,252,207	6.28
Standard Life Aberdeen	1,832,991	5.11
Border to Coast Pensions Partnership Limited	1,715,000	4.78

Following the year end and at the date of this report, Rathbone Brothers PLC's holding decreased to 1,752,070 shares in the Company, representing 4.99% of total voting rights, at the time of the notification on 8 November 2021.

Provision of information to the auditor

The directors who held office at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' attendance at meetings

Four board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount of the Company's shares to underlying NAV per share; promotion of the Company; and services provided by third parties. Additional meetings of the Board are arranged as required.

The number of scheduled meetings of the Board and its committees held during the financial year and the attendance of individual directors is shown below. Whenever possible all directors attend the AGM.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee	Remuneration Committee
Robert Talbut	5/5	2/2	2/2	1/1	1/1
Wendy Colquhoun	5/5	2/2	1/1	1/1	1/1
Clare Dobie	5/5	2/2	2/2	1/1	1/1
Andrew Page	5/5	2/2	2/2	1/1	1/1
Eric Sanderson*	2/2	n/a	n/a	0/0	n/a

*Eric Sanderson retired on 8 February 2021.

The Board is satisfied that the Chairman and each of the other non-executive directors commits sufficient time to the affairs of the Company to fulfil their duties as directors.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the directors throughout the year. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the court. This is a qualifying third party indemnity policy and was in place throughout the year under review for each director and to the date of this report.

By order of the Board

Schroder Investment Management Limited
Company Secretary

15 December 2021

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail below, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/midcap.

All directors are members of the committee. Andrew Page is the chairman of committee. The Board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence relevant to the sector in which the company operates.



Approach

The committee's key roles and responsibilities are set out below.

Risks and Internal Controls	Financial Reports and Valuation	Audit
Principal risks To establish a process for identifying, assessing, managing and monitoring emerging and principal risks of the Company.	Financial statements To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To review the half year report.	Audit results To discuss any matters arising from the audit and recommendations made by the auditor.
Emerging risks and uncertainties To ensure a robust assessment of the Company's emerging and principal risks and procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	Going concern To review the position and make recommendations to the Board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-yearly financial statements.	Auditor appointment, independence and performance To make recommendations to the Board, in relation to the appointment, re-appointment, effectiveness and removal of the external auditor, to review their independence, and to approve their remuneration and terms of engagement. Reviewing the audit plan and engagement letter.

The below table sets out how the committee discharged its duties during the year. The committee met twice during the year. An evaluation of the committee's effectiveness and review of its terms of reference was completed during the year.

The committee identified one potentially significant financial reporting risk, which is unchanged from the prior period, being the valuation and existence of investments, as well as several other financial reporting risks. Each of the matters considered during the committee's review are outlined below.

Application during the year

Risks and Internal Controls	Financial Reports and Valuation	Audit
Service provider controls Reviewing the operational controls maintained by the Manager, depositary and registrar.	Recognition of investment income Considered dividends received against forecast and the allocation of special dividends to income or capital.	Effectiveness of the independent audit process and auditor performance Evaluated the effectiveness of the independent audit firm and process prior to making a recommendation that it should be re-appointed at the forthcoming AGM. Evaluated the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence was considered, alongside feedback from the Manager on the audit process. Professional scepticism of the auditor was questioned and the committee was satisfied with the auditor's replies.



Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	Financial Reports and Valuation	Audit
Internal controls and risk management Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports and presentations on these controls.	Calculation of the investment management fee and performance fee Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.	Auditor independence The committee last undertook an audit tender process in 2017 when KPMG LLP was appointed as auditor in respect of the financial year ended 30 September 2017. The Company is required to tender the external audit no later than for year ending 30 September 2027. In accordance with professional and regulatory standards, the senior statutory auditor responsible for the audit is rotated at least every five years in order to protect independence and objectivity and to provide fresh challenge to the business. A new senior statutory auditor from KPMG LLP, Gary Fensom, was appointed for the 2020 year-end audit. There are no contractual obligations restricting the choice of independent auditor.
Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010 Consideration of the Manager's report confirming compliance.	Overall accuracy of the annual report and accounts Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.	Audit results Met with and reviewed a comprehensive report from the auditor which detailed the results of the audit, compliance with regulatory requirements, safeguards that have been established, and on their own internal quality control procedures.
Principal risks Reviewing the principal risks faced by the Company and the system of internal control.	Valuation and existence of holdings Quarterly review of portfolio holdings and assurance reports.	Meetings with the auditor Met the auditors without representatives of the Manager present. Representatives of the auditors attended the committee meeting at which the draft annual report and accounts was considered.
	Fair, balanced and understandable Reviewed the annual report and accounts to ensure that it was fair, balanced and understandable.	Provision of non-audit services by the auditor The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The auditor did not provide any non-audit services to the Company during the year.
	Going concern and viability Reviewing the impact of risks on going concern and longer-term viability.	Consent to continue as auditor KPMG LLP indicated to the committee their willingness to continue to act as auditor.



Recommendations made to, and approved by, the Board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 30 September 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 33.

Having reviewed the performance of the auditors as described above, the committee considered it appropriate to recommend the firm's re-appointment. Resolutions to re-appoint KPMG LLP as auditor to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

Andrew Page

Chairman of Audit and Risk Committee

15 December 2021

Management Engagement Committee Report

The management engagement committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the committee. Robert Talbut is the chairman of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/ukmidcap.

Approach	
Oversight of the Manager	Oversight of other service providers
<p>The committee:</p> <ul style="list-style-type: none"> reviews the Manager's performance, over the short- and long-term, against the Benchmark, peer group and the market. considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders. assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees. reviews the appropriateness of the Manager's contract, including terms such as notice period. assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager. 	<p>The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:</p> <ul style="list-style-type: none"> Depository and custodian Corporate broker Registrar Lender <p>The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.</p>



Application during the year	
<p>The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The committee reviewed the management fee structure and agreed that no changes would be proposed.</p> <p>The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.</p> <p>The committee reviewed the other services provided by the Manager and agreed they were satisfactory.</p>	<p>The annual review of each of the other service providers was satisfactory.</p>



Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

The nomination committee is responsible for (1) the recruitment, selection and induction of directors, (2) their assessment during their tenure, and (3) the Board's succession. All directors are members of the committee. Robert Talbut is the chairman of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/ukmidcap.

Oversight of directors



Approach		
Selection and induction	Board evaluation	Succession
<ul style="list-style-type: none"> Committee prepares a job specification for each role, which is shared with an independent recruitment firm. For the Chairman and the chairs of committees, the committee considers current board members too. Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. Potential candidates assessed against the Company's diversity policy. Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. Committee reviews the induction and training of new directors. On appointment, directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting. 	<ul style="list-style-type: none"> Committee assesses each director annually and considers whether an external evaluation should take place. Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM. All directors retire at the AGM and their re-election is subject to shareholder approval. 	<ul style="list-style-type: none"> Having considered diversity and the need for regular refreshment the Board's policy is that directors' tenure, including the Chairman of the Board, will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at the AGM. Committee reviews the Board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process. Committee oversees the handover process for retiring directors.
For application, see page 29		



Nomination Committee Report

Application during the year		
Selection and induction	Board evaluation and directors' fees	Succession
<ul style="list-style-type: none"> The committee commenced its search process for a new director and engaged Trust Associates, an external search firm with no other connection to the Board or individual directors. 	<ul style="list-style-type: none"> The Board and committee evaluation process was undertaken in September 2021. The evaluation of the Chairman was led by the SID. The committee also reviewed each director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All directors were considered to be independent in character and judgement. The committee considered each director's contributions, and noted that in addition to extensive experience as professionals and non-executive directors, each director had valuable skills and experience, as detailed in their biographies on pages 20 and 21. Based on its assessment, the committee provided individual recommendations for each director's re-election. 	<ul style="list-style-type: none"> The committee reviewed the board tenure policy and agreed it was still fit for purpose. The committee noted that Clare Dobie would be retiring in 2022 in accordance with the Board's policy on tenure.



Recommendations made to, and approved by, the Board:

- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board, contribute towards the Company's long-term sustainable success, and remain free from conflicts with the Company and its directors, so should all be recommended for re-election by shareholders at the AGM.

Remuneration Committee Report

The remuneration committee is responsible for making recommendations to the Board on the remuneration of the directors. All directors are members of the committee and Andrew Page is the chairman. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/ukmidcap.

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM in 2023 and the current policy provisions will continue to apply until that date. The below Directors' Remuneration Report is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 28 January 2020, 99.91% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour while 0.09% were against. 2,706 votes were withheld.

At the AGM held on 8 February 2021, 99.97% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 30 September 2020 were in favour while 0.03% were against. 22,960 votes were withheld.

Directors' remuneration policy

It is the Board's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of directors' fees is currently set at £200,000 per annum and any increase in this level requires approval by the Board and the Company's shareholders.

The Chairman and the chairman of the audit and risk committee each receives fees at a higher rate than the other directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The Board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension from the Company, and the Company has not, and does not intend to, operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company, however directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other

than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

Implementation of policy

The Board did not seek the views of shareholders in setting this remuneration policy. Any comments on the policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors. New directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the directors' remuneration policy was implemented during the year ended 30 September 2021.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the remuneration committee in September 2021. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of other investment trusts managed by Schroders and peer group companies was provided by the Manager and corporate broker and was taken into consideration.

Following this review, the remuneration committee recommended that with effect from 1 October 2021, the Chairman's annual fee be increased to £38,500, the chairman of the audit and risk committee's annual fee be increased to £31,250 and the annual fee for non-executive directors be increased to £26,000. Directors' fees were last increased with effect from 1 October 2019.

Recommendations made to, and approved by, the Board:

- That with effect from 1 October 2021, the Chairman's annual fee be increased to £38,500, the chairman of the audit and risk committee's annual fee be increased to £31,250 and the annual fee for non-executive directors be increased to £26,000.

Remuneration Committee Report

Fees paid to directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 30 September 2021 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial Highlights".

Director	Fees		Taxable benefits ¹		Total		Change in annual fee over years ended	
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £	30 September 2021 %	30 September 2020 %
Robert Talbut (Chairman) ²	32,789	25,000	–	411	32,789	25,411	48.0	4.2
Wendy Colquhoun ³	25,000	18,750	–	–	25,000	18,750	0.0	N/a
Clare Dobie	25,000	25,000	–	141	25,000	25,141	0.0	4.2
Andrew Page	30,000	30,000	–	105	30,000	30,105	0.0	3.4
Robert Rickman ⁴	–	8,168	–	1,484	–	9,652	N/a	4.2
Eric Sanderson ⁵	13,144	37,000	916	2,588	14,060	39,588	N/a	2.8
	125,933	143,918	916	4,729	126,849	148,647		

¹Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

²Appointed Chairman on 8 February 2021.

³Appointed as a director on 1 January 2020.

⁴Retired as a director on 28 January 2020.

⁵Retired as Chairman and from the Board on 8 February 2021.

The information in the above table has been audited.

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 30 Sep 2021 £'000	Year ended 30 Sep 2020 £'000	Change %
Remuneration payable to directors	127	149	(14.8)
Distributions paid to shareholders			
Dividends	4,664	6,542	
Share buybacks	–	3,429	
Total distributions paid to shareholders	4,664	9,971	(53.2)

Ten year share price and Benchmark total returns



¹ Source: Morningstar/Thomson Reuters. Rebased to 100 at 30 September 2011. Definitions of terms and performance measures are given on pages 58 and 59.

Remuneration Committee Report

Directors' share interests

The Company's articles of association do not require directors to own shares in the Company.

The interests of the directors, including those of persons closely associated, in the Company's share capital at the beginning and end of the financial year under review are set out below:

	30 September 2021	1 October 2020
Eric Sanderson ¹	–	2,070
Wendy Colquhoun	2,000	2,000
Clare Dobie	2,044	2,044
Andrew Page	9,128	9,128
Robert Talbut	8,176	8,176

¹Eric Sanderson retired from the Board on 8 February 2021.

There have been no changes notified since the year end.

The information in the above table has been audited.

On behalf of the Board

Andrew Page

Chairman of Remuneration Committee

15 December 2021

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Robert Talbut
Chairman

15 December 2021

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund Plc

1. Our opinion is unmodified

We have audited the financial statements of Schroder UK Mid Cap Fund Plc ("the Company") for the year ended 30 September 2021 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit and risk committee.

We were first appointed as auditor by the directors on 21 June 2017. The period of total uninterrupted engagement is for the five financial years ended 30 September 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2020), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Carrying amount of quoted investments (£300.1m; 2020: £210.2m) <i>Refer to page 26 (Audit and Risk Committee Report), page 42 (accounting policy) and page 47 (financial disclosures).</i>	Low risk, high value The Company's portfolio of quoted investments makes up 98.4% (2020: 93.0%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on any of the Company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below. Our procedures included: <ul style="list-style-type: none"> – Tests of detail: Agreeing the valuation of 100% of the quoted investments in the portfolio to externally quoted prices; and – Enquiry of Depository: Agreeing 100% of quoted investment holdings in the portfolio to independently received third party confirmations from the Depository. Our results: We found the carrying amount of quoted investments to be acceptable (2020: acceptable).

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund Plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £3.05m (2020: £2.26m), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £2.28m (2020: £1.70m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied materiality of £266,000 (2020: £157,000) and performance materiality of £199,000 (2020: £117,000) to Income, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the audit and risk committee any corrected or uncorrected identified misstatements exceeding £152,000 (2020: £113,000), or £26,000 (2020: £15,000) in relation to Income, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

4. Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;
- The liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
- The operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and liquid investment position (a reverse stress test).

We considered whether the going concern disclosure in note 1(a) to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 1(a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1(a) to be acceptable; and
- the related statement under the Listing Rules set out on page 19 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund Plc

5. Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the directors, the administrator and the Company's Manager; and
- Reading Board and audit and risk committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the directors and the administrator, no high-risk journal entries or other adjustments were identified.

On this audit we have rebutted the fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any significant unusual transactions or additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors, the Manager and the administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and its qualification as an Investment Trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and the administrator and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund Plc

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 19 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risk and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 19 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the audit and risk committee, including the significant issues that the audit and risk committee considered in relation to the financial statements, and how these issues were addressed; and

Independent Auditor's Report to the Members of Schroder UK Mid Cap Fund Plc

- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Fensom (*Senior Statutory Auditor*)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

15 December 2021

Income Statement

for the year ended 30 September 2021

	Note	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	-	78,136	78,136	-	(18,945)	(18,945)
Income from investments	3	6,453	736	7,189	4,155	-	4,155
Other interest receivable and similar income	3	-	-	-	4	-	4
Gross return/(loss)		6,453	78,872	85,325	4,159	(18,945)	(14,786)
Investment management fee	4	(521)	(1,215)	(1,736)	(402)	(939)	(1,341)
Administrative expenses	5	(494)	-	(494)	(516)	-	(516)
Net return/(loss) before finance costs and taxation		5,438	77,657	83,095	3,241	(19,884)	(16,643)
Finance costs	6	(116)	(270)	(386)	(86)	(200)	(286)
Net return/(loss) before taxation		5,322	77,387	82,709	3,155	(20,084)	(16,929)
Taxation	7	-	-	-	-	-	-
Net return/(loss) after taxation		5,322	77,387	82,709	3,155	(20,084)	(16,929)
Return/(loss) per share	9	15.18p	220.69p	235.87p	8.92p	(56.79)p	(47.87)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 42 to 53 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 30 September 2021

	Note	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30 September 2019		9,036	13,971	220	2,184	13,337	178,064	9,612	226,424
Repurchase of the Company's own shares into treasury		-	-	-	-	(3,429)	-	-	(3,429)
Net (loss)/return on ordinary activities		-	-	-	-	-	(20,084)	3,155	(16,929)
Dividends paid in the year	8	-	-	-	-	-	-	(6,542)	(6,542)
At 30 September 2020		9,036	13,971	220	2,184	9,908	157,980	6,225	199,524
Net return on ordinary activities		-	-	-	-	-	77,387	5,322	82,709
Dividends paid in the year	8	-	-	-	-	-	-	(4,664)	(4,664)
At 30 September 2021		9,036	13,971	220	2,184	9,908	235,367	6,883	277,569

The notes on pages 42 to 53 form an integral part of these accounts.

Statement of Financial Position at 30 September 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	300,061	210,161
Current assets			
Debtors	11	1,389	1,380
Cash at bank and in hand		3,564	14,504
		4,953	15,884
Current liabilities			
Creditors: amounts falling due within one year	12	(2,445)	(1,521)
Net current assets		2,508	14,363
Total assets less current liabilities		302,569	224,524
Creditors: amounts falling due after more than one year	13	(25,000)	(25,000)
Net assets		277,569	199,524
Capital and reserves			
Called-up share capital	14	9,036	9,036
Share premium	15	13,971	13,971
Capital redemption reserve	15	220	220
Merger reserve	15	2,184	2,184
Share purchase reserve	15	9,908	9,908
Capital reserves	15	235,367	157,980
Revenue reserve	15	6,883	6,225
Total equity shareholders' funds		277,569	199,524
Net asset value per share	16	791.56p	568.99p

These accounts were approved and authorised for issue by the Board on 15 December 2021 and signed on its behalf by:

Robert Talbut
Chairman

The notes on pages 42 to 53 form an integral part of these accounts.

Registered in Scotland as a public company limited by shares

Company registration number: SC082551

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

Schroder UK Mid Cap Fund plc ("the Company") is registered in Scotland as a public company limited by shares. The Company's registered office is 1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts. In forming this opinion, the directors have taken into consideration: stress testing prepared by the Manager which modelled a 50% decline in valuation of investments and investment income and demonstrated the Company's ability to comply with the covenants of its borrowing agreements and pay its operating expenses; the effect of COVID-19; the controls and monitoring processes in place; the Company's level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro-rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets.

The Company has not presented a statement of cash flows, as it is not required for an investment fund whose investments are highly liquid, carried at market value and which presents a statement of changes in equity.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 30 September 2020.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial years.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment objective and information is provided internally on that basis to the Board. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices.

Any investments that are unlisted or not actively traded would be valued using a variety of techniques to determine their fair value; any such valuations would be reviewed by both the AIFM's fair value pricing committee and by the directors.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments and the management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves. Increases and decreases in the valuation of investments held at the year end, are included in the Income Statement and in capital reserves within "Investment holding gains and losses".

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Notes to the Accounts

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Income Statement with the following exceptions:

- The management fee is allocated 30% to revenue and 70% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase and sale of investments are written off to capital at the time of the transaction.

These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty.

Details of transaction costs are given in note 10 on page 47.

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with FRS 102.

Finance costs are allocated 30% to revenue and 70% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are initially measured at fair value and subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

Taxation comprises amounts expected to be received or paid.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to the capital column of the Income Statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the accounting date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Dividends payable

In accordance with FRS 102, dividends are included in the accounts in the year in which they are paid.

(k) Repurchases of shares into treasury and subsequent reissues

The cost of repurchasing shares into treasury, including the related stamp duty and transaction costs is dealt with in the Statement of Changes in Equity and charged to "Share purchase reserve". Share repurchase transactions are accounted for on a trade date basis.

The sales proceeds of treasury shares reissued are treated as a realised profit up to the amount of the purchase price of those shares and is transferred to capital reserves. The excess of the sales proceeds over the purchase price is transferred to "share premium".

Notes to the Accounts

2. Gains/(losses) on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Gains/(losses) on sales of investments based on historic cost	5,867	(1,205)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(8,897)	(10,178)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(3,030)	(11,383)
Net movement in investment holding gains and losses	81,166	(7,562)
Gains/(losses) on investments held at fair value through profit or loss	78,136	(18,945)

3. Income

	2021 £'000	2020 £'000
Revenue:		
Income from investments:		
UK dividends	6,125	3,924
UK property income distributions	328	231
	6,453	4,155
Other interest receivable and similar income:		
Deposit interest	–	4
	6,453	4,159
Capital:		
Special dividends allocated to capital	736	–

4. Investment management fee

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Management fee	521	1,215	1,736	402	939	1,341

The bases for calculating the investment management fee and performance fee are set out in the Directors' Report on page 22 and details of all amounts payable to the Manager are given in note 17 on page 49.

5. Administrative expenses

	2021 £'000	2020 £'000
Other administrative expenses	189	205
Secretarial fee	137	136
Directors' fees	126	144
Auditor's remuneration for audit services ¹	42	31
	494	516

¹Includes £7,000 (2020: £5,000) irrecoverable VAT.

Notes to the Accounts

6. Finance costs

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Interest on bank loans and overdrafts	116	270	386	86	200	286

7. Taxation for the year

(a) Analysis of charge in the year:

	2021 £'000	2020 £'000
Taxation for the year	-	-

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2020: higher) than the Company's applicable rate of corporation tax in for the year of 19.0% (2020: 19.0%)

The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	5,322	77,387	82,709	3,155	(20,084)	(16,929)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2020: 19.0%)	1,011	14,704	15,715	599	(3,816)	(3,217)
Effects of:						
Capital returns on investments	-	(14,846)	(14,846)	-	3,600	3,600
Income not chargeable to corporation tax	(1,164)	(140)	(1,304)	(745)	-	(745)
Unrelieved expenses	153	282	435	146	216	362
Taxation for the year	-	-	-	-	-	-

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £8,818,000 (2020: £6,267,000) based on a prospective corporation tax rate of 25.0% (2020: 19%). In its 2021 budget, the UK government announced that the main rate of corporation tax would increase to 25% for the fiscal year beginning on 1 April 2023.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to meet the conditions required to retain its status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts

8. Dividends

(a) Dividends paid and declared

	2021 £'000	2020 £'000
2020 final dividend of 9.5p (2019: 14.7p) paid out of revenue profits	3,331	5,198
Interim dividend of 3.8p (2020: 3.8) paid out of revenue profits	1,333	1,344
Total dividends paid in the year	4,664	6,542

	2021 £'000	2020 £'000
2021 final dividend declared of 11.0p (2020: 9.5p) to be paid out of revenue profits	3,857	3,331

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("Section 1158")

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £5,322,000 (2020: £3,155,000).

	2021 £'000	2020 £'000
Interim dividend of 3.8p (2020: 3.8p)	1,333	1,344
Final dividend of 11.0p (2020: 9.5p)	3,857	3,331
	5,190	4,675

9. Return/(loss) per share

	2021 £'000	2020 £'000
Revenue return	5,322	3,155
Capital return/(loss)	77,387	(20,084)
Total return/(loss)	82,709	(16,929)
Weighted average number of shares in issue during the year	35,066,190	35,362,365
Revenue return per share	15.18p	8.92p
Capital return/(loss) per share	220.69p	(56.79)p
Total return/(loss) per share	235.87p	(47.87)p

Notes to the Accounts

10. Investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Opening book cost	192,495	197,215
Opening investment holding gains	17,666	35,406
Opening fair value	210,161	232,621
Analysis of transactions made during the year		
Purchases at cost	71,850	40,018
Sales proceeds	(60,086)	(43,533)
Gains/(losses) on investments held at fair value	78,136	(18,945)
Closing fair value	300,061	210,161
Closing book cost	210,126	192,495
Closing investment holding gains	89,935	17,666
Closing fair value	300,061	210,161

Sales proceeds amounting to £60,086,000 (2020: £43,533,000) were receivable from disposals of investments in the year. The book cost of these investments when they were purchased was £54,218,000 (2020: £44,739,000). These investments have been revalued over time and until they were sold any unrealised gains and losses were included in the fair value of the investments.

All investments are listed on a recognised stock exchange.

The following transaction costs, comprising stamp duty and brokerage commission were incurred during the year:

	2021 £'000	2020 £'000
On acquisitions	335	174
On disposals	30	19
	365	193

11. Debtors

	2021 £'000	2020 £'000
Securities sold awaiting settlement	236	853
Dividends and interest receivable	1,143	523
Other debtors	10	4
	1,389	1,380

The directors consider that the carrying amount of debtors approximates to their fair value.

12. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Securities purchased awaiting settlement	1,783	1,051
Other creditors and accruals	662	470
	2,445	1,521

The directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

Notes to the Accounts

13. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loan	25,000	25,000

The bank loan comprises a £25 million three-year term loan from Scotiabank Europe plc, expiring on 28 February 2023, carrying a fixed rate of interest of 1.546% per annum. The loan is unsecured but is subject to the usual undertakings and restrictions for a loan of this nature, and all of which have been complied with. The directors consider that the carrying amount of the loan approximates to its fair value.

14. Called-up share capital

	2021 £'000	2020 £'000
Allotted, called-up and fully paid:		
Ordinary shares of 25p each:		
Opening balance of 35,066,190 (2020: 35,741,190) shares, excluding shares held in treasury	8,766	8,935
Repurchase of nil (2020: 675,000) shares into treasury	-	(169)
Subtotal of 35,066,190 (2020: 35,066,190) shares	8,766	8,766
1,077,500 (2020: 1,077,500) shares held in treasury	270	270
Closing balance ¹	9,036	9,036

¹Represents 36,143,690 (2020: 36,143,690) shares of 25p each, including 1,077,500 (2020: 1,077,500) shares held in treasury.

15. Reserves

	Share premium ¹ £'000	Capital redemption reserve ¹ £'000	Merger reserve ¹ £'000	Share purchase reserve ² £'000	Capital reserves Gains and losses on sales of investments ² £'000	Investment holding gains and losses ³ £'000	Revenue reserve ⁴ £'000
Opening balance	13,971	220	2,184	9,908	140,314	17,666	6,225
Losses on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	(3,030)	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	81,166	-
Transfer on disposal of investments	-	-	-	-	8,897	(8,897)	-
Management fee allocated to capital	-	-	-	-	(1,215)	-	-
Special dividend allocated to capital	-	-	-	-	736	-	-
Finance costs allocated to capital	-	-	-	-	(270)	-	-
Dividends paid	-	-	-	-	-	-	(4,664)
Retained revenue for the year	-	-	-	-	-	-	5,322
Closing balance	13,971	220	2,184	9,908	145,432	89,935	6,883

¹These reserves are not distributable. The "Merger reserve" represents the premium over the nominal value of shares issued following a merger in 1989.

²These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends. The "Share purchase reserve" is for the purpose of financing share buy-backs and was created following the cancellation of the "Warrant reserve" in 2003.

³This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

⁴The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

Notes to the Accounts

16. Net asset value per share

	2021	2020
Net assets attributable to the Ordinary shareholders (£'000)	277,569	199,524
Shares in issue at the year end, excluding shares held in treasury	35,066,190	35,066,190
Net asset value per share	791.56p	568.99p

17. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee and a company secretarial fee. Details of the basis of these calculations are given in the Directors' Report on page 22. Any investments in funds managed or advised by the Manager or any of its associated companies, are excluded from the assets used for the purpose of the management fee calculation and therefore incur no fee.

The management fee payable in respect of the year ended 30 September 2021 amounted to £1,736,000. (2020: £1,341,000) of which £484,000 (2020: £343,000) was outstanding at the year end. The secretarial fee payable for the year amounted to £137,000 (2020: £136,000) including VAT, of which £34,000 (2020: £34,000) was outstanding at the year end.

No director of the Company served as a director of any member of the Schroders Group, at any time during the year.

18. Related party transactions

Details of the remuneration payable to directors are given in the Remuneration Report on page 31 and details of directors' shareholdings are given in the Remuneration Report on page 32. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2020: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

FRS 102 requires that financial instruments held at fair value are categorised into a hierarchy consisting of the three levels below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

Level 1: valued using unadjusted quoted prices in an active market for identical assets.

Level 2: valued using inputs other than quoted prices included within Level 1, that are observable (ie developed using market data).

Level 3: valued using inputs that are unobservable (ie for which market data is unavailable).

Details of the Company's valuation policy are given in note 1(b) on page 42.

At 30 September 2021, the Company's investments were all categorised in Level 1 (2020: same).

20. Financial instruments' exposure to risk and risk management policies

The Company's investment objective is to invest in mid cap equities with the aim of providing a total return in excess of the FTSE 250 ex Investment Trusts Index. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy. The Company has no significant exposure to foreign exchange risk.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in shares which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations; and
- a sterling term loan with Scotiabank, the purpose of which is to assist with financing the Company's operations.

Notes to the Accounts

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements: interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on any variable rate borrowings when interest rates are re-set. The Company's three-year term loan carries a fixed rate of interest and does not give rise to any interest rate risk.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Board's policy is to permit gearing up to 25%, where gearing is defined as borrowings used for investment purposes less cash, expressed as a percentage of net assets.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2021 £'000	2020 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	3,564	14,504
Total exposure	3,564	14,504

Interest receivable on cash balances is at a margin below LIBOR, or its replacement reference rate (2020: same).

The Company's revolving credit facility with Scotiabank Europe plc expires on 28 February 2023 and has a limit set at £25 million. The facility is unsecured but subject to covenants and restrictions which are customary for a facility of this nature. Interest is payable at a rate of LIBOR, or its replacement reference rate, as quoted in the market for the loan period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 30 September 2021, the Company had drawn down the entire £25 million at an interest rate of 1.546%, repayable on 28 February 2023 (2020: same).

The above year end amounts are not representative of the exposure to interest rates during the year due to fluctuations in the level of cash balances. The maximum and minimum exposure during the year was as follows:

	2021 £'000	2020 £'000
(Minimum debit)/maximum credit interest rate exposure during the year – net (debt)/cash	(8,496)	20,087
Maximum debit interest rate exposure during the year – net debt	(21,436)	(12,045)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2020: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the accounting date with all other variables held constant.

Notes to the Accounts

	2021		2020	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	18	(18)	73	(73)
Capital return	–	–	–	–
Total return after taxation	18	(18)	73	(73)
Net assets	18	(18)	73	(73)

In the opinion of the directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 30 September comprises the following:

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	300,061	210,161

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 10. The Company's investments are all listed in the United Kingdom. Accordingly there is a concentration of exposure to this country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2020: 20%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through its investments and includes the impact on the management fee, but assumes that all other variables are held constant.

	2021		2020	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(108)	108	(82)	82
Capital return	59,760	(59,760)	41,841	(41,841)
Total return after taxation and net assets	59,652	(59,652)	41,759	(41,759)
Percentage change in net asset value	21.5	(21.5)	20.9	(20.9)

Notes to the Accounts

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary.

Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	Within one year £'000	2021 One to two years £'000	Total £'000	Within one year £'000	2020 One to two years £'000	Two to three years £'000	Total £'000
Creditors: amounts falling due within one year							
Securities purchased awaiting settlement	1,783	-	1,783	1,051	-	-	1,051
Other creditors and accruals	627	-	627	438	-	-	438
Creditors: amounts falling due after more than one year							
Other payables: drawings on the revolving credit facility (including interest)	422	25,155	25,577	418	387	25,160	25,965
	2,832	25,155	27,987	1,907	387	25,160	27,454

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

Exposure to the Custodian

The custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and A1 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Notes to the Accounts

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2021		2020	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	1,389	1,379	1,380	1,376
Cash at bank and in hand	3,564	3,564	14,504	14,504
	4,953	4,943	15,884	15,880

No debtors are past their due date and none have been written down or deemed to be impaired.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the Statement of Financial Position at fair value or the amount is a reasonable approximation of fair value.

21. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

	2021 £'000	2020 £'000
Debt		
Bank loan	25,000	25,000
Equity		
Called-up share capital	9,036	9,036
Reserves	268,533	190,488
	277,569	199,524
Total debt and equity	302,569	224,524

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes less cash, expressed as a percentage of net assets. If the figure so calculated were to be negative, this would be shown as a "net cash" position.

	2021 £'000	2020 £'000
Borrowings used for investment purposes, less cash	21,436	10,496
Net assets	277,569	199,524
Gearing	7.7%	5.3%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back the Company's own shares for cancellation or to hold in treasury, which takes into account the share price discount;
- the opportunities for issues of new shares; and
- the amount of dividends to be paid, in excess of that which is required to be distributed.

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Wednesday, 9 February 2022 at noon. The formal Notice of Meeting is set out on page 55.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Ordinary business

Resolutions 1 to 9 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolution 3 concerns the Directors' Remuneration Report, on pages 30 to 32. Resolutions 4 to 7 invite shareholders to re-elect each of the directors who have put themselves forward for re-election for another year, following the recommendations of the Nomination Committee, set out on pages 28 and 29 (their biographies are set out on pages 20 and 21). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 25 and 26.

Special business

Resolution 10 – directors' authority to allot shares (ordinary resolution) and resolution 11 – power to disapply pre-emption rights (special resolution)

The directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory preemption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £876,654.75 (being 10% of the issued share capital (excluding any shares held in treasury) as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non preemptive basis up to a maximum aggregate nominal amount of £876,654.75 (being 10% of the Company's issued share capital (excluding any shares held in treasury) as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Resolution 12: Authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 8 February 2021, the Company was granted authority to make market purchases of up to 5,256,421 ordinary shares of 25p each for cancellation or holding in treasury. 0 shares have been bought back into treasury under this authority and the Company therefore has remaining authority to purchase up to 5,256,421 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2022 AGM will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Recommendations

The Board considers that the resolutions relating to the above items of business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder UK Mid Cap Fund plc will be held at 1 London Wall Place, London EC2Y 5AU at noon on Wednesday, 9 February 2022 to consider the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2021.
2. To approve a final dividend of 11.00 pence per share for the financial year ended 30 September 2021.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2021.
4. To re-elect Wendy Colquhoun as a director of the Company.
5. To re-elect Clare Dobie as a director of the Company.
6. To re-elect Andrew Page as a director of the Company.
7. To re-elect Robert Talbut as a director of the Company.
8. To re-appoint KPMG LLP as auditor to the Company.
9. To authorise the directors to determine the remuneration of KPMG LLP as auditor to the Company.
10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £876,654.75 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."

11. To consider and, if thought fit, to pass the following resolution as a special resolution:
"THAT, subject to the passing of resolution 10 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 12 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to

an aggregate nominal amount of £876,654.75 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

12. To consider and, if thought fit, to pass the following resolution as a special resolution:
"THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company ("Shares") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:
 - (a) the maximum number of Shares which may be purchased is 5,256,421 representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
 - (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of:
 - i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
 - (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per Share;
 - (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2023 (unless previously renewed, varied or revoked by the Company prior to such date);
 - (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
 - (f) any Shares so purchased will be cancelled or held in treasury for potential reissue."

By order of the Board

Schroder Investment Management Limited
Company Secretary
15 December 2021

Registered Office:
1 Exchange Crescent,
Conference Square,
Edinburgh EH3 8UL

Registered number: SC082551

Explanatory Notes to the Notice of Meeting

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution.

However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting, excluding non-working days. Shareholders may also appoint a proxy to vote on the

resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID & Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 noon on 7 February 2022. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 7 February 2022, or 6.30 p.m. two days prior to the date of an adjourned meeting, excluding non-working days, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 7 February 2022 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service

Explanatory Notes to the Notice of Meeting

may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the articles of association, terms of appointment of the non-executive directors and a statement of all transactions of each director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the directors has a contract of service with the Company.
6. The biographies of the directors offering themselves for re-election are set out on pages 20 and 21 of the Company's annual report and accounts for the year ended 30 September 2021.
7. As at 15 December 2021, 35,066,190 ordinary shares of 25p each were in issue and 1,077,500 shares were held in treasury. Therefore the total number of voting rights of the Company as at 15 December 2021 was 35,066,190.
8. A copy of this Notice of Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the webpages dedicated to the Company: www.schroders.co.uk/ukmidcap.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's Accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
11. The Company's privacy policy is available on its webpages. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified as Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those. Alternative Performance Measures are indicated with an asterisk (*).

Net asset value ("NAV") per share

The NAV per share of 791.56p (2020: 568.99p) represents the net assets attributable to equity shareholders of £277,569,000 (2020: £199,524,000) divided by the number of shares in issue, excluding any shares held in treasury, of 35,066,190 (2020: 35,066,190).

The change in the NAV amounted to +39.1% (2020: -10.2%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return*

Total return is the combined effect of any dividends paid, together with the rise or fall in the NAV per share or share price. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 30 September 2021 is calculated as follows:

NAV at 30/9/20	568.99p
NAV at 30/9/21	791.56p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
9.5p	14/1/2021	656.71p	1.0144	1.0144
3.8p	8/7/2021	764.31p	1.0050	1.0195

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV +41.8%

The NAV total return for the year ended 30 September 2020 is calculated as follows:

NAV at 30/9/19	633.51p
NAV at 30/9/20	568.99p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
14.7p	2/1/2020	717.67p	1.0205	1.0205
3.8p	9/7/2020	510.91p	1.0074	1.0280

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV -7.7%

The share price total return for the year ended 30 September 2021 is calculated as follows:

Share price at 30/9/20	458.50p
Share price at 30/9/21	730.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
9.5p	14/1/2021	608.00p	1.0156	1.0156
3.8p	8/7/2021	702.00p	1.0054	1.0211

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price +62.6%

The share price total return for the year ended 30 September 2020 is calculated as follows:

Share price at 30/9/19	540.00p
Share price at 30/9/20	458.50p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
14.7p	2/1/2020	682.00p	1.0216	1.0216
3.8p	9/7/2020	428.00p	1.0089	1.0306

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price -12.5%

Annualised total return*

The annualised total return is the compound annual rate of return which equates to the total return as calculated above, for a period of more than one year.

Benchmark

A measure against which the performance of an investment company is compared, or against which it sets its objective. The Company's benchmark is the FTSE 250 (ex-Investment Companies) Index.

Discount/premium*

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 7.8% (2020: 19.4%), as the closing share price at 730.00p (2020: 458.50p) was 7.8% (2020: 19.4%) lower than the closing NAV of 791.56p (2020: 568.99p).

Definitions of Terms and Performance Measures

Gearing*

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the figure so calculated is negative, this is shown as a "Net cash" position. The gearing figure at the year end is calculated as follows:

	2021 £'000	2020 £'000
Borrowings used for investment purposes, less cash	21,436	10,496
Net assets	277,569	199,524
Gearing	7.7%	5.3%

Ongoing Charges*

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £2,230,000 (2020: £1,857,000), expressed as a percentage of the average daily net asset values during the year of £247,871,000 (2020: £205,258,000).

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Notes

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/ukmidcap. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of annual report and accounts and other documents published by the Company as well as information on the directors, terms of reference of committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website.

The Company releases its NAV per share on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on the Company's webpages.

The Manager publishes monthly and quarterly updates on the Company and other Schroders investment trusts, which may be found under the "Documents" section on the webpages www.schroders.co.uk/ukmidcap.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

Individual Savings Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

Annual General Meeting	February
Final dividend paid	February
Half year results announced	May/June
Interim dividend paid	June
Financial year end	30 September
Annual results announced	December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the Company's webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 31 October 2021 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.00	1.18
Commitment method	2.00	1.08

Illiquid assets

As at the date of this Report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFM Directive information disclosure document published on the Company's webpages.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Directors

Robert Talbut (Chairman)
Wendy Colquhoun
Clare Dobie
Andrew Page

Advisers

Alternative Investment Fund Manager (the “Manager”)

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6596

Registered Office

1 Exchange Crescent
Conference Square
Edinburgh EH3 8UL

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe plc
201 Bishopsgate
6th Floor
London EC2M 3NS

Corporate Broker

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Independent auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

Lawyers

Shepherd and Wedderburn
1 Exchange Crescent
Edinburgh EH3 8UL

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address set out above.

Dealing Codes

ISIN: GB0006108418
SEDOL: 0610841
Ticker: SCP

Global Intermediary Identification Number (GIIN)

9GN3DU.99999.SL.826

Legal Entity Identifier (LEI)

549300SOEWCYZTK2SP87

The Company's privacy notice is
available on its webpages.